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MODERATING EFFECT OF TRUST ON RELATIONSHIP BETWEEN LOAN REPAYMENT PRACTICES AND SMEs PERFORMANCE IN NORTH-WESTERN, NIGERIA

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Abstract

Low performance of Small and Medium Enterprises in Nigeria today dominates discussions on entrepreneurs and entire private and public sectors in Nigeria. This study aimed to examine the moderating effect of trust on the relationship between loan repayment practice and the performance of small and medium enterprises in the North-west zone, Nigeria. A cross-sectional survey design was used for the study and the unit of analysis is the organization (SMEs performance) and the owners/managers were the respondents. Proportionate stratified random sampling technique used to select five hundred and ninety-two (592) respondents from eleven thousand seven hundred and thirty-one (11,731) registered SMEs in the North-Western geopolitical zone in Nigeria. Descriptive and inferential statistics were employed to analyse the data collected using Statistical Package for Social Science (SPSS) for Window Version 23. The Study ran multiple and hierarchical regression analysis to establish the relationships between financial management practices (FMP), debt management practices (DMP), financial literacy practices (FL) and SMEs performance( )as well as the moderating effect of trust (TRT) . The study reveals that financial management practice (FMP) has a significant positive relationship with SMEs performance. On the other hand, the study finds no significance relationship between debt management practices and SMEs performance. The study also reveals a positive significant relationship between financial literacy (FL) and SMEs performance. In addition, trust (TRT) has significant moderation effect on financial management practice, debt management practice and financial literacy practice and SMEs performance. Based on the empirical findings, the current study has made contributions to the body of knowledge particularly in literature concerned with loan repayment practices and SMEs performance and moderation effect of trust. Finally, limitations, conclusion as well as recommendations and direction for future research were provided and discussed.

Keywords: Loan Repayment Practices, SMEs, Performance, Trust, North-western Nigeria

1. Introduction

Effective and efficient business performance of Small and Medium Enterprises (SMEs) plays a significant role in terms of promoting entrepreneurship and poverty reduction in the entire world and the economic importance of the said SMEs is highly demonstrated in every nation's economy (Mohammed & Suleiman, 2022). Some of the salient economic contributions adduced to the SME sector are employment generation, increase in national Gross Domestic Product (GDP), export promotion, utilization of local raw materials, tax revenue, regional development and a base for industrial growth (Anangwe & Malenya, 2020; Mbango, Nwannah & Udegbunam, 2020). Research evidences from Africa, Asia, Latin America, Europe and U.S.A over the years have also maintained status quo. Some of the recent studies such as mohammed & Suleiman, 2022; Better Accounting, 2020; Marmaya, Abd Razak, Wee, Karim & Ridzuan, 2018) pointed out that, in Africa, over 50 percent of the continent's economic growth is due to SMEs. Similarly, it is argued that in Asia, SME sub-sector accounts for over 31 percent of the Malaysian GDP and the rapid economic growth of Malaysia is attributed to the enormous contribution made by SMEs. Apart from offering jobs opportunities to Malaysians, SMEs contribute to the development of large and multinational corporations. The sector also accounts for 60 percent of China GDP and 43.5 percent of that of U.S.A economy. The European economies are not left out as the SME sub-sector accounts for 58 percent of their GDP (European Commission, 2023)

In Indonesia, SMEs account for 99 percent of the total work force, while also contributing to 57 percent of the gross domestic products (Woronkinasih & Potipiroon, 2019). In the same vein, SMEs accounted for 98.6 percent of firms in Mozambique where they provide more employment, diversification and stimulus for innovation, mobilize social- economic resources and greater level of competition (Osano, Languitone; 2016). In Uganda, SMEs are the backbone of the economy, providing a prime source of new jobs, play a crucial role in income generation and reducing poverty and contributing 75 percent to the GDP and employing over 2.5 million people (Odong, 2014).

Despite their contributions to employment generation as well as income distribution and development of local technology, SMEs in Nigeria have been slow in growth due to some problems which include; deplorable infrastructural facilities, funding and financial challenges, inadequate managerial and entrepreneurial skills, corruption and lack of transparency arising from government regulations, they hardly take into consideration reliable accounting system and therefore, poor and ineffective book-keeping has attributed to the collapse of some SMEs (Adela, Agyei, Frimpong Awisom, Bossman, Kofi & Ahmed, 2024: Ezema, 2014).

The slow and irregular performance of SMEs has led to the closure of many businesses, losing business properties, increase in the level of unemployment, low contribution to employment, GDP and export earnings for the country (Aminu, 2015; Aminu & Mahmood, 2015; Otacheb & Mahmood, 2015; Samson, 2015). According to Muddaha and Kheng (2016), Shehu (2014) and SMEDAN (2017), the problems facing SMEs in Nigeria include; inadequate financing, unstable policy environment, lack of trained manpower, lack of management skills, problem of infrastructure, low investment culture, socio-political ambition of entrepreneurs, multiple taxation, lack of planning, market failure, poor accounting system and improper assessment of external environment and business performance among others.

SMEs contribution to the gross domestic product (GDP) in Nigeria, in 2018, 2019, 2020, stood at 47.8 percent, 48 percent and 50 percent respectively. This clearly showed that SMEs will do more, if necessary actions are taken in the form adopting the loan repayment practices that will help borrowers to repay their loans on time and make way for more money to be loaned to the SME owners that waiting for loans.

SMEs non-performing loans hit N1.32 trillion as at April, 2023 due to economic challenges according figures obtained by the punch from the central bank of Nigeria (CBN). However, the challenges in the economic was further worsened by naira crunch crisis in the first quarter of year 2023, a challenge that crippled many businesses, created repayment challenges for many businesses (Punch Newspaper, 2023). The current national president of the Association of Small Business Owners of Nigeria, Mr. Femi Agbesola, noted that the SMEs were grappling with challenges, hindering them from meeting their loan obligations and according to him, about 7.8 million SMEs under the association have shut down in the last two years (Agbesola, 2023). Some of the challenges facing the SMEs according to Agbesola include; high rate of inflation which has eroded the disposable income capital of the consumers and consumers don't have money in their hands to buy more. inancial risk, poor business plan and low level of financial literacy have contributed to difficulty in loan repayment among SMEs in developing countries (Mutegi, Njeru, & Ongesa, 2018).

Financial literacy is the capability to adequately oversee financial resources that enhance SMEs performance (Eniola & Entebang, 2016). This is an area that requires knowledge, skill, attitude and experience with goals to deal with the survival of the firm's profit maximization, sales maximization, capturing a particular marketing shares, minimizing staff turn-over and internal conflicts and maximizing wealth (Eniola, 2016). Lack of financial literacy skills make people not to be able calculate expected returns or present discounted values, which may cause them to make sub-optimal financial decision while adequate financial literacy skills enable individuals to navigate the financial world, make informed decisions about their money and minimize their chances of being misled on financial matters (Tuyisenge, Mugambi & Kemirembe, 2015).

Thus, the major problems facing SMEs in Nigeria includes but not limited to poor financial management, poor debt management and inadequate financial literacy skills among others (Eniola, 2016; Eniola & Entang, 2016; Mutegi, Njeru & Ongesa, 2015; Jote, 2018). It is on this background that this study investigated the effect of loan repayment practice onSMEs performance in north-western zone of Nigeia; moderated with trust.

Problem Statement

The problems affecting performance of Small and medium enterprises (SMEs) should be a serious issue of concern to all Nigerians and other stakeholders (Aliyu, 2014). The immediate past Director General of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Dikko (2021), admitted that as important as SME sector is in Nigeria, it is faced with several challenges that have impeded their performance and some of these challenges are; absence of accurate data on debts of SMEs, inadequate financing, inadequate trained manpower, insufficient management skills, poor accounting system, lack of debt management skills, inadequate financial literacy skills, usage of loans on activities that are not related to the business etc.

The significant obstacle to SME performance throughout the developing world is lack of trust and lack of knowledge, attitude and awareness to cope and direct the finances of their organization in a transparent and professional way. Eniola and Entebang (2016) stated that the reasons why business people make inappropriate, inadequate and ineffective financial decisions are because of the lack person financial knowledge, lack of time to learn about personal financial management. Lack of business and management skills can magnify financial barriers for SMEs.

According to Ketley, Lightfoot, Jakubec and Little (2012), Nigeria lack financial literacy and more than 46.3 percent did not have access to financial literacy and lagged behind some developing and developed countries. These have been the concern intense challenges faced by the SMEs in the country with the recognition that inadequate financial management, debt management financial literacy skills were among the contributing factors to ill-informed financial decisions and that these decisions could in turn have a tremendous negative spill-overs.

Financial management, debt management and financial literacy practices have become imperative due to insufficient capital in the running of many SMEs in Nigeria. This sector is crucial to employment creation as far as Nigeria is concerned today. Several studies have been conducted in relations to financial management practices and SMEs performance but there are mixed and or inconsistencies in their findings.

Several studies conducted suggested the inclusion of trust as a moderator to strengthen the relationship between loan repayment practice and SMEs performance. Notably among them are; Fink and Moro (2013) who said that for loans to be repaid back on time, trust should be paramount between the lender and the borrower because trust reduces agency cost and thus, they suggested that trust should be used as a moderator. A series of tangible trends underpin the rising global interest in financial management, debt management and financial literacy as key life skills. Thus, this study set to investigate the relationship between the loan repayment practices and SMEs' performance.

Research Objectives

The main objective of the study is to examine the relationship between SMEs loan repayment practices and SMEs performance in Nigeria. The specific objectives of the study are;

i. To examine the relationship between financial management practice and small and medium enterprises' performance in the North-Western, Nigeria.

ii. To assess the relationship between debt management practice and small and medium enterprises' performance in North-Western, Nigeria.

iii. To evaluate the relationship between financial literacy practice and small and medium enterprises' performance in North-West, Nigeria.

iv. To determine the moderating effect of trust on the relationship between financial management practice and small and medium enterprises performance in North-Western, Nigeria.

v. To examine the moderating effect of trust on the relationship between debt management practice and small and medium enterprises performance in North-Western, Nigeria.

vi. To assess the moderating effect of trust on the relationship between financial literacy and small and medium enterprises in North-Western, Nigeria.

Research Hypotheses

The following hypotheses have been postulated to answer the research questions and achieve the research objectives as stated above.

H1: There is a significant relationship between financial management practice and small and medium enterprises performance in North-Western zone, Nigeria.

H2: There is a significant relationship between debt management practice and small and medium enterprises performance in North-Western zone, Nigeria

H3: There is a significant relationship between financial literacy practice and small and medium enterprises performance in North-Western zone, Nigeria.

H4: Trust positively moderates the relationship between financial management practice and small and medium enterprises performance in North-Western zone, Nigeria.

H5: Trust positively moderates the relationship between debt management and small and medium enterprises performance in North-Western zone, Nigeria

H6: Trust positively moderates the relationship between financial literacy and small and medium enterprises performance in North-Western zone, Nigeria.

2. Literature Review

Small and Medium Enterprises Performance

SME performance can be understood from quantitative and qualitative perspectives. From the quantitative perspective, we have; efficiency, financial results, level of production, number of customers, market share, profitability, productivity, dynamics of revenue cost and liquidity (Gupta & Batra, 2106, Zimon, 2018) and from the qualitative perspective, there are; goal achievement, leadership styles, employee behaviour (Anggadwita & Mustafid, 2014), customers satisfaction (Akpan, Yilmaz & Karya, 2017), product and process innovation, organization and market innovation (Sheehan, 2013). The above authors are commended for their work but the SMEs performance in terms of sales growth, employment growth, products growth and market growth would have been added and the current study will do just that.

Concept of Trust

In the society, trust was long ago identified as a strong tool that could be used to reduce the risk of defecting behaviour (Massaro, Moro, Aschauer & Fink, 2019). The importance of trust in business relation is highlighted by various authors (Welter, 2012; Barney, Fink and Kessler 2010). Trust may effectively coordinate the interaction partners' behaviour and encourage it towards fair conduct (Fink & Kessler, 2010

Financial Management Practice and SMEs Performance

Mang'ana, Ndjetabula and Hokororo (2023) examined financial management performance of Agricultural small and medium enterprises in Tanzania. A sample of 427 SMEs in agricultural sector were examined and surveyed and the results of the SEM-PLS showed that working capital management practices and financial management practices have significant positive influence on financial performance of Agri-SMEs while accounting, financial reporting practices and capital budgeting management practices have insignificant influence on the performance of Agri-SMEs.

Kataike, Aslimwe, Mawernu and Kagarura (2024) investigated the effect of financial management practices on financial performance and the moderating role of farm and farmers' socioeconomic characteristics. A sample of 162 dairy farmers was used and the regression analysis results revealed that financial management practices is significantly related to financial performance among diary farm enterprises. Mang'ana et al... (2024) did a good job but including other SMEs in the study would have made it all inclusive. The current study has put the gap into consideration by including other SMEs.

Debt Management Practice and Performance

Tarus and Tarus (2023) assessed the nexus between debt management literacy and digital loan repayment among selected SMEs in Kenya. A sample of 243 registered SMES was used and the results of the inferential statistics showed that debt management literacy has positive and significant influences on loan repayment among SMEs performance. Also, Eforomat (2022), determined the effect of debt management literacy on financial performance of SACCOs in Kumi county, Ugandan. A sample size of 108 SACCO members was used and the regression analysis results showed that there is a strong positive relationship between debt management literacy and financial performance of SACCOs.

Bhaita and Kumar (2023) assessed the interplay between debt efficiency, operating efficiency and firm performance utilizing annual data from 2013-2019 for Indian- listed companies, employing the GLS regression model, the findings revealed a significant negative relationship between debt efficiency and financial performance of Indian firms while operating efficiency exerts a positive influence on firm performance.

In the same vein, Nur, Abd and Mursalim (2022) analysed the effect of debt management and efficiency on firm earnings performance in manufacturing companies listed on the Indonesia stock exchange. Secondary data in the form of financial reports of manufacturing companies for the period of 2014 -2021 period and the results indicated that debt management has a negative and significant effect on firm earnings performance.

Financial Literacy Practice and SMEs Performance

Mberia and Wachira (2021) examined the influence of financial literacy on budgeting and debt management skills on financial performance of Equity Bank trained women self-hep groups in Machoks town, Kenya. A sample size of 33 women self-help groups was used and the regression analysis result indicated that budget training established significant relationship between training and financial performance of women self-help group and also debt management skills training showed a significant relationship with financial performance.

Nassaka and Ssendagi (2024) determined the effect of financial literacy training on the financial performance of SMEs in Mukono municipality, Uganda. A sample size of 260 SMEs was used and the multiple regression analysis results showed that financial literacy training was found to have insignificant effect on the financial performance of SMEs. Nyamboga, Nyamureya, Abdi , Njeru and George (2014) Investigated the influence of financial literacy on SMEs loan repayment in Ngara, Nairobi County, Kenya. A sample of 30 SMEs was selected for the study using stratified random sampling technique and descriptive and inferential were used to analyse the data.

Trust as the Moderating Variable

Bongomin,Malinga, Amani and Balinda (2024) established whether trust plays a significant role in the relationship between access to microcredit and survival of young women microenterprises in under-developed financial markets in sub-Saharan African. The study used structural equation model to test whether trust significantly mediates the relationship between access to microcredit and survival of young women microenterprises using Analysis of Moments Structure (AMOS). The findings revealed that trust significantly and positively mediate the relationship between access to microcredit and survival of young women microenterprises in under-developed financial markets in sub - Sahara African.

Gorondutse and Hilman (2018) examine the association among trust of Business Social Responsibility (BSR) and the performance of small- scale industries in Nigeria with organizational culture as a moderating factor. The hypotheses of the study were tested using personally administered questionnaires and a sample of 486 was evaluated using SmartPLS Algorithm and Bootstrapping functions. The result established strong positive influence of trust of Business Social Responsibility on small-scale industrial performance. Correspondingly, the study established strong positive impact of organizational culture on performance of small-scale industries. However, the study could not establish the moderating influence of organizational culture.

Theoretical Underpinning (Information Asymmetry Theory)

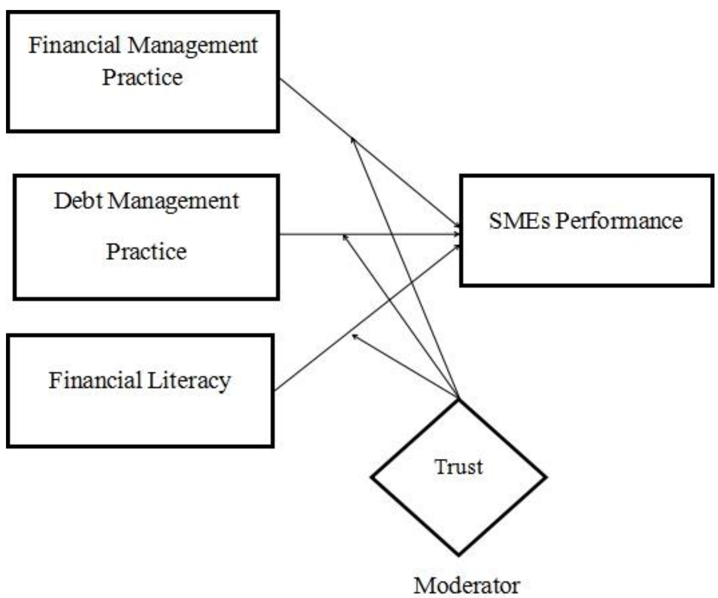
Joseph Stiglitz (1961), George Akerlof (1970) and Michael Spencer (1973) are the three proponent economists who developed the theory of asymmetric information theory which was formalized in 2001. According to them, the asymmetric information theory pinpointed that information is imperfect and obtaining information can be costly. Imperfect credit markets characterized by information asymmetry make it too costly for bank to obtain accurate information on borrowers and to monitor the actions of borrowers. Information asymmetry occurs when the knowledge of one of the parties to the contract is inferior to the other party as to the intentions or activities. In other word, information asymmetry occurs when one party to the contract has better information than the other.

The occurrence of information asymmetry is used to describe a situation where the lender and the borrower do not possess equal information or one party has better and more accurate information than the other party which affect the successful outcome of the loan. In lending transactions, the occurrence of information asymmetry is usually borrower-advantage (Ofonyelu; 2013). The source of information asymmetry generally derives from the inability of lender to rightly observe the quality of the borrowers in terms of the likelihood to introduce hidden charges on the side of the lender. In each of the cases, adverse selection affect result from unobservability of quality as well as well as hidden information (Ofonyelu; 2013). Hence the information asymmetry theory is considered important in this study and therefore adopted to explain the relationship between determinants of SMEs' loan repayment and loan repayment performance.

Conceptual Framework

Independent Variable **Dependent Variable**

(Loan Repayment Practices)



The Conceptual Framework 2023

3. Methodology

3.1 Population of the Study

The population of the study is the registered SMEs in the seven states that made up of the North-Western, Nigeria namely; Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto and Zamfara. The total number of registered SMEs from these seven (7) states as at 2017 is eleven thousand, seven hundred and thirty one (11,731). This figure was obtained from Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and some validated and verified documents from ministry of commerce and industry from the various seven states of the North-Western state, Nigerian Chamber of Commerce, Industry, Mine and Agriculture (NACCIMA) and National Association of Small and Medium Enterprises (NASME).

3.2 Sample Size and Sampling Techniques

Sampling technique that was adopted for this study is stratified sampling. Among the stratified random sampling types, the study employed proportionate stratified random sampling where a population is divided into sub-groups or strata and random samples were taken in proportion to the population from each of the strata. The participants from each stratum have homogeneous characteristics and qualities.

The sample size for the study is determined using Krejcie and Morgan's (1970) table for sample size determination. Considering the total population of eleven thousand, seven hundred and thirty-one (11,731) SMEs in the study, the sample size is three hundred and seventy (370) registered SMEs and only the SMEs owners/managers would be considered for the study and the reason is that, they are in better positions to provide the needed information for the study about the repayment practices they are involved in repaying their loans.

3.3 Method of Data Analysis

This study employed descriptive and inferential statistics by using regression analysis. This method is very necessary as it helps in estimating multivariate constructs. It is a multivariate technique used to test and evaluate multivariate casual relationships and it differs from other modeling approaches as they test the direct effect on pre-assumed casual relationships (FAN, Cheng & Shao, 2016).

4. Results and Discussion

4.1 Hypotheses Test

Multiple regression analysis was conducted in determining the relationship between financial management practice, debt management practice, financial literacy practice and SMEs performance. The results as indicated table 4.16 with predictors that were significant, R = .492, R^2 = .242, Adj. R^2= .231, F – Change = 22.396. The multiple correlation coefficients between the predictors and the criterion variable was .429; the predictor accounted for 24.2% of the variance in the firm performance. Cohen (1988) classified R^2 into three as: 1) 0.02 as weak; 2) 0.13 as moderate; 3) 0.26 as substantial. Based on the Cohen and Cohen (1983) and Cohen (1988) classifications, the value R^2 is moderate. The generalizability of this model in the population was .242. the significant F-test shows that the relationship (22.396, p< 0.001) signifies the overall significant prediction of independent variables to the dependent variable (Green & Salkind, 2008). Among the three predicting variables, financial management practice is the variable that best predict the criterion with the following values (Beta = .440, t = 4.774, p<.000). The next vital predictor in order of importance is financial literacy practice (Beta = .260, t = 4.294, p< .000). however, debt management practice (Beta = .102, t = 1.200, p< .231) is not significantly related tp performance. Two out of the three independent variables impacted on the directional hypothesis. Therefore, hypothesis H1 and H3 are supported whereas H2 is reject.

Table 1: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.492[a]	.242	.231	.38397	.242	22.396	4	281	.000	1.876

a. Predictors: (Constant), Trust, Financial Literacy, Debt Management, Financial Management
b. Dependent Variable: Performance

Table 2: Multiple Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Decision
	B	Std. Error	Beta			
(Constant)	1.509	.263		5.730	.000	
Financial Management Practices	.416	.087	.440	4.774	.000	Supported
Debt Management Practices	.085	.071	.102	1.200	.231	Rejected
Financial Literacy Practices	.326	.076	.260	4.294	.000	Supported

Source: The Researcher, (2023)

4.2 Hierarchical Regression and Hypotheses Test

Hierarchical regression as the name suggests, is a statistical device used in predicting criterion variable with one or more independent variables in the sequential entry of predictors based on theoretical and logical consideration (Tabachnick & Fidell, 2007). This type of regression is also called moderator or sequential regression, which has been suggested by many scholars as the tool for analyzing the moderating effect (Baron & Kenny, 1986; Frazier, Baron & Tix, 2004).

4.3 Moderation Test

In order to test whether trust moderates the relationship between financial management practice, debt management practice and financial literacy practice, the three (3) step hierarchical regression by Baron and Kenny (1986) was conducted in determining the variance proportion of a given variable as explain by the other variables and these variables are entered into the regression analysis in a definite order (Cramer,2003). In the first step, the direct effect of the independent variables was entered, and in the second step, the moderating variable was entered to assess whether the moderator (trust) has a significant direct effect on the dependent variable (SMEs performance). Finally, in the third step, the interaction terms (which are the products of the independent variables and the moderator variable) were entered to find out any additional variance explained.

4.4 Moderation Effect of Trust on Financial Management Practices and SMEs Performance

It is indicate d that hierarchical regression results between financial management practice and SMEs performance. The independent variables were first entered in step I, which explained 17.2 percent of the variance. After entering trust at step 2, the total variance as explained by the model was 1.7 percent. In step 3, the interaction terms were inserted which result to additional increase of the variance explained in the model which remain 5.3 percent respectively. The result showed that at every step, the regression coefficient was significant; showing that trust has a significant effect on the relationship between financial management practice and SMEs performance (Beta = .362, t-value = 4.444, p-value = 0.000). Therefore, H4 which says that trust moderates the relationship between financial management practice and SMEs performance in North-west, Nigeria and H4 is accepted.

Table 3: Model Summary[d]

Model	Change Statistics					Durbin-Watson
	R Square Change	F Change	df1	df2	Sig. F Change	
1	.172[a]	58.973	1	284	.000	
2	.017[b]	6.071	1	283	.014	
3	.053[c]	19.749	1	282	.000	1.816

Source: The Researcher, (2023)

Table 4: Hierarchical Regression Result: The Moderating Effect of Trust on the Relationship Between Financial Management Practice and SMEs Performance

Table 4.17 continued

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Decision
			Std. Error	Beta			
1	(Constant)	2.377	.190		12.521	.000	
	Financial Management Practices	.392	.051	.415	7.679	.000	
2	(Constant)	2.343	.189		12.421	.000	
	Financial Management Practices	.532	.076	.563	6.983	.000	
	Trust	-.140	.057	-.199	-2.464	.000	
3	(Constant)	6.612	.978		6.762	.000	
	Financial Management Practices	-.727	.293	-.770	-2.483	.000	
	Trust	-1.388	.286	-1.967	-4.851	.000	
	Interaction1	.362	.081	2.913	4.444	.000	Supported

Source: The Researcher, (2023)

4.5 Moderation Effect of Trust on Debt Management Practices and SMEs Performance

As indicated hierarchical regression results between debt management and SMEs performance. The independent variables were first entered in step 1, explain 10.3 percent of the variance. After entering trust at step 2, is explained by the model was 0.00 percent. In step 3, the interaction terms were inserted, which result to 4.0 percent. The result in table 4.22 showed that at every step, the regression coefficient was significant; showing that trust has significant moderation effect on the relationship between debt management practice and SMEs performance (Beta = .289, t – value =3.629, p-value = 0.000). Therefore, H5 which says that trust moderates the relationship between debt management practices in North-west, Nigeria is supported.

Tanle 5: Model Summary[d]

Model	Change Statistics					Durbin-Watson
	RSquare Change	F Change	df1	df2	Sig. F Change	
1	.103[a]	32.668	1	284	.000	

2	.000[b]	.012	1	283	.913	
3	.040[c]	13.171	1	282	.000	1.775

Table 6: Hierarchical Regression Result: The Moderating Effect of Trust on the Relationship Between Debt Management Practice and SMEs Performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Decision
		B	Std. Error	Beta			
1	(Constant)	2.822	.177		15.965	.000	
	Debt Management Practices	.267	.047	.321	5.716	.000	
2	(Constant)	2.824	.178		15.859	.000	
	Debt Management Practices	.272	.066	.327	4.110	.000	
	Trust	-.006	.056	-.009	-.109	.913	
3	(Constant)	6.126	.926		6.613	.000	
	Debt Management Practices	-.699	.275	-.840	-2.538	.012	
	Trust	-1.011	.282	-1.432	-3.581	.000	
	Interaction2	.289	.080	2.405	3.629	.000	Supported

Source: The Researcher, (2023)

4.6 Moderation Effect of Trust on Financial Literacy Practices and SMEs Performance

As indicated in a hierarchical regression results between financial literacy and SMEs performance. The independent variables were entered first in step 1 and it explains 36.2 percent of the variance. After entering trust at step 2, the total variance as explained by the variance was 36.6 percent. In step 3, the interaction terms were inserted, which result to additional increase of the variance in the model to 38.0 percent. Furthermore, the result in table 4.24 showed that at step I and 3, the regression coefficient was significant; showing that trust has significant moderation effect on the relationship between financial literacy practice and SMEs performance (Beta = .220, t – value = 1.819, p-value =0.07). Therefore, H6 which says that trust moderates the relationship between financial literacy practice and SMEs performance in North-west, Nigeria is supported. in North-west, Nigeria

Table 7: Model Summary[d]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.362[a]	.131	.128	.40890	
2	.366[b]	.134	.128	.40887	
3	.380[c]	.144	.135	.40722	1.741

Table 8: Hierarchical Regression Result: The Moderating Effect of Trust on the Relationship Between Financial Literacy Practice and SMEs Performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Decision
		B	Std. Error	Beta			
1	(Constant)	2.150	.257		8.370	.000	
	Financial Literacy Practices	.454	.069	.362	6.540	.000	
2	(Constant)	2.136	.257		8.302	.000	
	Financial Literacy Practices	.415	.079	.331	5.252	.000	
	Trust	.045	.044	.064	1.019	.309	
3	(Constant)	5.081	1.639		3.099	.002	
	Financial Literacy Practices	-.389	.449	-.310	-.866	.387	+
	Trust	-.765	.448	-1.085	-1.709	.089	
	Interaction3	.220	.121	1.564	1.819	.070	Supported

a. Dependent Variable: SMEs Performance

Source: The Researcher, (2023)

4.7 Discussion of Findings

This study runs multiple and hierarchical regression analysis in order to establish relationship between financial management practices, debt management practices, financial literacy practices and SMEs performance; as well as test the moderating effect of trust on the relationships. According to the statistical outcome, H1 on the relationship between financial management practices and SMEs performance is supported. Suggesting that financial management practices are critical in improving the performance of SMEs.

On the other hand, the statistical outcome showed that H2 on the relationship between debt management practices and SMEs performance is not supported. Suggesting that the SMEs lack adequate debt management practices to improve their performance level. The finding is similar to the study of Rajamani (2021) who established that short-term and long-term debts have adverse effect on the efficiency of SMEs. Yet, the finding is similar to that of Addaney et al. (2016) who established that small and medium scale enterprises lack in-depth knowledge of debt management. The result is also similar to the study of Nyamao et al. (2012) who found that SMEs have low debt management practices as majority lack formal debt management strategies to boost financial performance.

Nevertheless, the statistical outcome showed that H3 on the relationship between financial literacy practices and SMEs performance is supported. Suggesting that financial management practices are critical in improving the performance of SMEs. The finding is similar to that of Ratnawati et al. (2023) and Assifuah-Nunoo (2023) who empirically established that financial literacy practices have significant influence on financial and sustainability performance. Moreover, the statistical outcome showed that H4, H5 and H6 on the moderation effect of trust on the relationship between financial management practices, debt management practices, financial literacy practices and SMEs performance were supported. Suggesting that trust has significant moderation effect on the relationship between financial management practices and SMEs performance; debt management practices and SMEs performance and financial literacy practices and SMEs performance.

5. Conclusion and Recommendations

The present study has provided additional evidence to the growing body of knowledge concerning the moderating role of trust on the relationship between loan repayment practices and SMEs performance in North-western zone, Nigeria. Results from this study provide support to the key theoretical propositions. While there have been many studies examining the underlying problems bedeviling SMEs performance, however the present study addressed the theoretical gap by incorporating "trust" as a significant moderating variable on the two relationships. It also identified and filled the following gaps that hitherto existed in the loan repayment practice literature; (i) the impact of financial management practice, debt management practice as well as the financial literacy practice by SMEs that was explored in non-western and non-Asian context – Nigeria (ii) This study tested the effects of the three dimensions of loan repayment practice on SMEs performance using one sample i.e. managers of SMEs in north-western zone, Nigeria. (iii) This study has contributed to the financial literature by providing a conceptual framework in which comparison was made among the three dimensions of loan repayment practices regarding its relationship with SMEs performance.

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